

Message Text

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ACTION EUR-25

INFO OCT-01 IO-15 ISO-00 AGR-20 AID-20 CEA-02 CIAE-00

COME-00 EB-11 EA-11 FRB-02 INR-10 NEA-10 NSAE-00

RSC-01 OPIC-12 SPC-03 TRSE-00 CIEP-02 LAB-06 SIL-01

OMB-01 NSC-10 SS-15 STR-08 L-03 H-03 DODE-00 PA-03

USIA-15 PRS-01 DRC-01 /212 W
----- 120846

R 020846Z OCT 73

FM AMEMBASSY COPENHAGEN

TO SECSTATE WASHDC 7808

INFO AMEMBASSY BONN

AMEMBASSY BRUSSELS

USMISSION EC BURSELLS UNN

AMEMBASSY DUBLIN

USMISSION GENEVA

AMEMBASSY THE HAGUE

AMEMBASSY LONDON

AMEMBASSY LUXEMBOURG

AMEMBASSY PARIS

USMISSION OECD PARIS UNN

AMEMBSSY ROME

AMEMBASSY OSLO

AMEMBASSY STOCKHOLM

C O N F I D E N T I A L COPENHAGEN 2433

E.O. 11652: GDS

TAGS: PINT EFIN EEC DA

SUBJECT: CALL ON ECONOMIC MINISTER HAEKKERUP

REF: COPENHAGEN 2419

BEGIN SUMMARY: I MADE MY FIRST CALL ON MINISTER FOR
ECONOMIC AFFAIRS PER HAEKKERUP ONLY A FEW DAYS AFTER A CABINET
RESHUFFLE (REFTEL) HAD ESTABLISHED HIM IN MORE POWERFUL POSITION
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THAN PREVIOUSLY IN DIRECTING DANISH ECONOMIC POLICY, AND AT A

TIME IN WHICH HIGH DOMESTIC INFLATION AND A DETERIORATING BALANCE OF PAYMENTS HAVE MADE THE ECONOMY THE PRINCIPAL CONCERN OF GOVERNMENT AND PUBLIC. HAEKKERUP OUTLINES SOME OF HIS THOUGHTS ON COMBATING THESE PROBLEMS AND THE ROLE HE EXPECTS TO PLAY. WE ALSO DISCUSSED MONETARY REFORM, THE GATT MULTILATERAL TRADE NEGOTIATIONS AND DANISH COMMITMENT TO THE EC, WITH HAEKKERUP BEING POSITIVE AND OPTIMISTIC ON ALL POINTS. END SUMMARY.

1. HAEKKERUP MADE CLEAR AT THE OUTSET THAT THE REMOVAL OF THE BUDGET MINISTRY FROM HIS DIRECT CONTROL HAD BEEN A MATTER OF HIS CHOOSING AND WHICH HE HAD REQUESTED OF THE PRIME MINISTER ALMOST A YEAR AGO. (PRIOR TO SEPTEMBER 27 CABINET RESHUFFLE, HAEKKERUP HAD BEEN BOTH ECONOMIC AND BUDGET MINISTER.) HE HAD FOUND RESPONSIBILITY FOR THE BUDGET INVOLVED HIM IN EXCESSIVE DETAILS AND GAVE HIM INSUFFICIENT TIME FOR THE MORE IMPORTANT TASK OF DIRECTING THE GOVERNMENT'S ECONOMIC POLICY. UNDER THE PRESENT SETUP, HE WOULD WORK CLOSELY WITH THE FINANCE AND BUDGET MINISTERS BUT, HE EMPHASIZED, WITH HIMSELF AS SENIOR REPRESENTATIVE IN THIS ECONOMIC TRIUMVIRATE AND RESPONSIBLE FOR POLICY DETERMINATION.

2. HE THOUGHT THE CHANGE HAD COME NONE TOO SOON BECAUSE THE COUNTRY IS NOW IN SERIOUS ECONOMIC DIFFICULTY WITH AN EXCESSIVELY HIGH RATE OF INFLATION COUPLED WITH A RAPIDLY DETERIORATING BALANCE OF PAYMENTS. SO FAR, INFLATION HAS NOT HURT DANISH EXPORTS EXCESSIVELY BECAUSE THE COUNTRY'S PRINCIPAL TRADING PARTNERS HAVE SIMILAR RATES OF INFLATION. HOWEVER, RAPIDLY RISING IMPORTS ARE SERIOUSLY THREATENING EXTERNAL ACCOUNTS TO THE POINT WHERE IMMEDIATE CORRECTIVE ACTION IS NECESSARY. I MENTIONED THE ALREADY HIGH TAXES AND WONDERED WHETHER THEY COULD BE INCREASED FURTHER. HE AGREED THAT HIGHER TAXES WOULD NOT SOLVE THE PROBLEM SINCE DENMARK HAS LEARNED THAT THE PUBLIC WOULD REACT BY CUTTING DOWN SAVINGS RATHER THAN CONSUMPTION AS IN THE PAST, WHICH WOULD NOT BE HELPFUL. HE SAID THAT HIS MINISTRY IS NOW WORKING ON AN ANTI-INFLATION PROGRAM WHICH SHOULD BE READY IN TWO WEEKS FOR SUBMISSION TO THE FOLKETING. THE PROGRAM WOULD INVOLVE LEGISLATIVE PROPOSALS, ADMINISTRATIVE CHANGES AND VARIOUS OTHER STEPS TO DAMPEN THE ECONOMY, REDUCE INFLATION AND STOP

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THE RISING DEFICIT IN THE BALANCE OF PAYMENTS.

3. HAEKKERUP WAS SANGUINE ABOUT THE CONTINUING STRENGTH OF THE KRONER DESPITE CURRENT ECONOMIC DIFFICULTIES. HE WAS HOPEFUL ON INTERNATIONAL MONETARY REFORM WHICH WOULD EVENTUALLY ESTABLISH MORE STABLE EXCHANGE RATES, BUT RECOGNIZED THIS WOULD TAKE TIME. WE HAD A GENERAL DISCUSSION ON COMMUNITY MATTERS DURING WHICH HAEKKERUP MADE CLEAR HIS WHOLE-HEARTED COMMITMENT

TO THE EC AND ECONOMIC AND MONETARY UNION. HE TOLD ME HE WAS NOW CONVINCED THAT, FOLLOWING THE DEBATE AT THE RECENT SOCIAL DEMOCRATIC PARTY CONGRESS, THOSE ELEMENTS WITHIN THE PARTY WHO HAD PREEVIOUSLY OPPOSED THE EC HAVE NOW ACCEPTED DANISH MEMBERSHIP AS AN ACCOMPLISHED FACT AND WILL COOPERATE IN SUPPORT OF A UNIFIED EC POLICY. HE SAID HE WAS FRANKLY RELIEVED THAT THIS POTENTIALLY DIVISIVE ISSUE WAS NOW FINALLY RESOLVED.

4. I THANKED THE MINISTER FOR OUR INFORMATIVE INTRODUCTORY DISCUSSION AND SUGGESTED THAT WE MEET FROM TIME TO TIME TO DISCUSS ECONOMIC AND FINANCIAL QUESTIONS OF MUTUAL INTEREST. HE SAID HE WOULD WELCOME THE OPPORTUNITY BECAUSE, WHILE THERE ARE NO IMPORTANT ISSUES BETWEEN OUR TWO COUNTRIES AT THIS TIME, BOTH ARE INVOLVED IN CRITICALLY IMPORTANT TRADE AND MONETARY DISCUSSIONS IN WHICH OUR RESPECTIVE OBJECTIVES APPEAR TO BE SIMILAR. I SHALL FOLLOW UP ON THIS INVITATION.
CROWE

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